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**中銀香港(控股)有限公司**

**BOC HONG KONG (HOLDINGS) LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(the “Company”, Stock Code: 2388)**

## **ANNOUNCEMENT**

### **FINANCIAL AND BUSINESS REVIEW FOR THE FIRST QUARTER OF 2011**

**THIS ANNOUNCEMENT IS MADE BY THE COMPANY PURSUANT TO RULE 13.09 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED**

The following description provides certain financial information relating to the performance of the Company in the first quarter of 2011.

#### **Financial Performance**

In the first quarter of 2011, BOC Hong Kong (Holdings) Limited and its subsidiaries (collectively known as the “Group”) recorded net operating income before impairment allowances of HK\$7,690 million and operating expenses of HK\$2,373 million, compared to HK\$6,412 million and HK\$2,241 million respectively for the corresponding period last year (2010 Q4: HK\$7,860 million and HK\$2,700 million respectively). Operating profit before impairment allowances was HK\$5,317 million, compared to HK\$4,171 million for the same period last year (2010 Q4: HK\$5,160 million).

#### *2011 Q1 compared with 2010 Q1*

Compared to the first quarter of 2010, the Group’s net operating income before impairment allowance increased, with net interest income and net trading gain being the key drivers. The growth of net interest income was attributable to the expansion of average interest-earning assets. Net interest margin narrowed further, largely caused by the dilution impact of the increase in RMB funds from the clearing bank business. The increase in net trading gain was driven by the rise in income from foreign exchange activities and the mark-to-market gain on certain interest rate instruments. Net fee and commission income recorded steady growth. Operating expenses rose due to higher staff costs, promotional expenses and depreciation.

#### *2011 Q1 compared with 2010 Q4*

There was a slight decrease in the Group’s net operating income before impairment allowances, due to lower net fee and commission income. Net fee and commission income decreased mainly because of the decline in the income from stock broking along with lower market transaction volume. Despite lower net interest margin, net interest income increased mildly due to the expansion of average interest-earning assets. Operating expenses decreased due to lower staff costs and business-related expenses. During the first quarter this year, the Group registered a net reversal of impairment allowances on loans as opposed to a net charge in the fourth quarter last year.

## Financial Position

The Group recorded an increase in its total assets compared to the end of 2010. There was an increase in customer deposits and a broad-based growth in advances to customers. Loan quality remained sound. The capital adequacy ratio also remained at a healthy level.

## Business Review

The Group made good progress in developing its **Personal Banking** business. It continued to focus on enhancing its product offerings and customer mix. During the first quarter, the Group introduced the “First-year HIBOR-based and Prime-based afterwards” mortgage programme. To diversify its RMB-related service offerings, it launched the Personal RMB Cashier’s Order and RMB Gift Cheque. The Group carried out a range of marketing activities to promote its stock broking business. To broaden the Mainland customer base, the Group launched “Mainland Customer Promotion Programme” and set up dedicated customer service centre.

The Group’s **Corporate Banking** business maintained its balanced growth strategy and corporate lending continued to grow at a healthy pace. As part of the ongoing offshore RMB business development, the Group stepped up its effort in providing comprehensive products and services to corporate customers. New services such as the RMB interbank payroll service and cross-border autopay bill payment services were rolled out. New RMB treasury products were also launched to cater for the specific needs of corporate customers.

In respect of its **Treasury Segment**, the Group managed its banking book proactively by optimising the investment portfolio to guard against risk while maximising return. The Group also closely monitored and managed its exposures in view of changes in the market, especially in regions afflicted by greater uncertainties. Following the establishment of the asset management platform towards the end of last year, the Group launched the “BOCHK RMB Bond Fund” targeting high net-worth customers.

The Group’s **Insurance Segment** remained focused on enhancing customer service quality and enriching its product offerings. It rolled out the “Tactics Investment Insurance Plan” to widen product spectrum. The Group improved its product mix with healthy growth in sales of regular premium products.

Remark:

On 28 March 2011, the Group jointly published an announcement with thirteen other distributing banks of Lehman Brother minibonds (“Minibonds”) in respect of the final resolution proposal of certain series of Minibonds (the “Proposal”). As the Proposal is subject to the satisfaction of all the conditions referred to in the announcement, the related financial impact was not reflected in the first quarter result of 2011.

## GENERAL

This announcement may contain forward-looking statements that involve risks and uncertainties. The Company’s shareholders and potential investors should not place undue reliance on these forward-looking statements, which reflect our belief only as of the date of these statements. These forward-looking statements are based on the Group’s own information and on information from other sources we believe to be reliable. The Group’s actual results may be materially less favourable than those expressed or implied by these forward-looking statements, which could depress the market price of the Company’s American Depositary Shares and local shares.

The Company's shareholders and potential investors should note that **all the figures contained herein are unaudited. Accordingly, figures and discussions contained in this Announcement should in no way be regarded as to provide any indication or assurance on the financial results of the Group for the period ended 31 March 2011.**

**The Company's shareholders and potential investors are urged to exercise caution in dealing in the securities of the Company and are recommended to consult their own professional advisers if they are in doubt as to their investment positions.**

By Order of the Board  
**Chan Chun Ying**  
Company Secretary

Hong Kong, 28 April 2011

*As at the date hereof, the board of directors of the Company comprises Mr. XIAO Gang\* (Chairman), Mr. LI Lihui\* (Vice-chairman), Mr. HE Guangbei (Vice-chairman and Chief Executive), Mr. LI Zaohang\*, Mr. ZHOU Zaiqun\*, Mdm. ZHANG Yanling\*, Mr. GAO Yingxin, Dr. FUNG Victor Kwok King\*\*, Mr. KOH Beng Seng\*\*, Mr. SHAN Weijian\*\*, Mr. TUNG Chee Chen\*\* and Mr. TUNG Savio Wai-Hok\*\*.*

\* *Non-executive Directors*

\*\* *Independent Non-executive Directors*